TRANSPORTATION

Privatization of DMV's State-operated Vehicle Registration Offices

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. It costs approximately $2.26 more to process a transaction in a state-run office than in a contract office.	▪ State-operated vehicle registration offices in Raleigh and Charlotte should be privatized to reduce costs and improve productivity.	▪ Staff can be reduced by 41 over 5 years. ▪ Privatizing the Raleigh and Charlotte offices will result in an estimated savings of $11,859,000 over 10 years. ▪ Transactions may be processed more quickly through privatization.	6.3
2. The Department of Transportation has a modernization plan that calls for the development of automated systems that other states are now completing.	▪ DMV should enhance its automated vehicle registration system and encourage significantly greater use of mail-in registrations and other innovative programs to improve efficiency.	▪ Reduces the need for 126 vehicle registration offices.	6.7

TRANSPORTATION

Consolidation of Driver License Offices

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. DMV has an excessive number of Driver Licensing field offices. 2. Many Driver License field offices have work loads, as measured by applications processed, that are well below the average for DMV.	▪ DMV should close approximately 64 field offices and increase productivity by 10 percent over the next 3 years. ▪ Reduce 76 positions from offices whose applications processed per person-day are below average.	▪ The closing of field offices would eliminate 76 positions with a realized annual savings of $2.3 million. ▪ The closing of the least productive field offices and the staff reductions would increase the average applications processed per person day from 24 to 27.	7.6

HEALTH AND HUMAN SERVICES

State Mental Health Facilities

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. From 600 to 2,000 patients in the State's mental health hospitals can be treated in the community. 2. The occupancy rate for private mental health hospital beds in North Carolina is 56 percent.	▪ The General Assembly should expand community-based services and downsize residential services by implementing a single stream of funding for mental health. ▪ Provide technical assistance to the area programs to prepare them for a single stream of funding systems ▪ Expand the single portal of entry system to include all mental health institutions and area programs across the State ▪ Transfer $3.7 million annually from the State mental hospital budget to the area program budget to purchase community-based services. ▪ The General Assembly should request a plan from the Governor to replace the State's four mental health hospitals with four smaller and more efficient hospitals to accommodate the downsizing in the mental health institutions.	▪ Improves service by treating clients in the least restrictive environment. ▪ Expands the array of service delivery options for the mentally ill. ▪ Reduces inpatient care staff by 2,000 positions over 10 years. ▪ Saves $97.4 million over the next 10 years.	1.10

HEALTH AND HUMAN SERVICES

Developmental Disabilities Services

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. North Carolina Mental Retardation Centers (MRC) continue to admit people with developmental disabilities who can be served in community programs.	▪ The General Assembly should establish a policy to increase the use of community-based programs to serve the developmentally disabled, and to downsize State-operated MRCs. ▪ The General Assembly should request a plan from the Governor to reduce the total number of people served in State MRCs by 500 people over the next 2 years and 100 persons per year afterward.	▪ Improves services by treating clients in the least restrictive environment. ▪ Reduces inpatient care staff by about 1,100 positions over 10 years.	2.8
2. There is an inherent financial incentive to maintain State-operated MRCs at or near the current level. 3. North Carolina does not use its Medicaid Home and Community-based Waiver, resulting in a proliferation of the ICF/MR program.	▪ The General Assembly should fund family support programs to prevent out-of-home care for persons with developmental disabilities. ▪ The Department of Human Resources should forward its applications for an expanded Medicaid Home and Community-Based Waiver as soon as possible.	▪ Reduces the number of clients being served in costly, long-term residential facilities. ▪ Reduces the probability of costly litigation.	2.9

	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
4. North Carolina does not have a comprehensive needs assessment for its citizens with developmental disabilities.	▪ The Department of Human Resources should develop a comprehensive assessment of needs (both service specific and program) for all persons with developmental disabilities.	▪ Ensures implementation of recommendation to provide appropriate community-based services.	2.11
5. Private sector providers are not regulated adequately in the areas of cost controls, movement and placement of individuals, as well as quality assurance.	▪ The General Assembly should establish comprehensive policies to develop reasonable standards for rates and payments for privately operated ICF/MR group homes.	▪ Saves $45.6 million over the next 10 years.	2.12

HEALTH AND HUMAN SERVICES

Alcohol and Drug Abuse Treatment Centers

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. Clients must wait six weeks to receive treatment in North Carolina's Alcohol and Drug Treatment Centers (ADATC). 2. In North Carolina the cost/bed for residential alcohol and drug treatment is high compared with other states. 3. Residential treatment services are not distributed equitably throughout North Carolina.	▪ The General Assembly should transfer the current ADATC budget to the 41 area programs based on service needs and give area programs the option of purchasing residential treatment from State facilities.	▪ Saves 24.7 million in General Fund savings over the next 10 years.	3.9

GPAC *Pathways*

HEALTH AND HUMAN SERVICES

Schools for Deaf Children

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. North Carolina has excess capacity in its schools for the deaf. 2. North Carolina public schools serve almost three times the number of deaf children as do the schools for the deaf.	▪ The General Assembly should fund services for deaf children in two rather than three schools/residential facilities. * Refered back to subcommittee.	▪ Reduces 31 administrative, maintenance, and other non-program staff from the residential and day school program. ▪ Saves $0.9 million for the first year and a cumulative savings of $8.5 million over a 10 year period.	4.6

HEALTH AND HUMAN SERVICES

Child Support Enforcement

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. The State operates a dual child support enforcement system. 2. The DHR child support enforcement program offers more than the Clerk of Court program. 3. The State is not achieving maximum reimbursement from the federal government.	▪ The General Assembly should enact legislation to restructure the child support enforcement program: ▪ Place authority and responsibility for child support enforcement program with DSS in DHR. ▪ Require the development and enforcement of program standards at the State and local level. ▪ Establish a child support enforcement and oversight commission to oversee the transition to a restructured service delivery system.	▪ Saves $66.8 million over the next 10 years.	5.9

HEALTH AND HUMAN SERVICES

DHR Organizations and Staffing

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. 20 positions in the Secretary's Office have one-to-one reporting relationships and/or excessively narrow spans of control.	▪ The 20 positions identified should be eliminated.	▪ Removes excessive positions, increases span of control, and improves efficiency in the Secretary's Office. ▪ Savings of $606,000 will be realized annually.	6.4
2. The Secretary's Office includes an unnecessary layer of management.	▪ Eliminate the positions of the Assistant Secretaries for Budget and Management, Administration and Liaison Services, and the Division of Aging.	▪ Removes excessive layers of management. ▪ Savings of $89,000 would result annually.	6.5
3. Several program functions in the Secretary's Office should be located at the program division level.	▪ Decentralize program functions located in the Secretary's Office: ▪ 50 positions would be relocated out of the Secretary's Office. ▪ Eight staff positions would be eliminated.	▪ Decentralizes program functions to the divison level program. ▪ Savings of $243,000 would be realized annually.	6.6
4. The department has 38 FTE positions throughout the program divisions involving excess layers of management, excessively narrow spans of control, overlapping functions, and unnecessary functions.	▪ Eliminate 38 positions in the program divisions.	▪ Removes excess layers of management, excessively narrow spans of control, overlapping functions, and unnecessary positions. ▪ Savings of $1.15 million would result annually.	6.9

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
5. Some organizational units are misplaced within DHR.	▪ The new organizational units per the other recommendations should report through the suggested revised organizational structures.	▪ Eliminates fragmentation and improves program effectiveness.	6.10

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. Several State public health programs are not located in DEHNR.	▪ North Carolina should continue to provide public health services through DEHNR and reexamine organizational questions after two years.	▪ Allows the State and counties to adjust to the 1989 reorganization of Public Health. ▪ Avoids disruption in service and other costs associated with reorganization.	7.12
2. Local county health departments are satisfied with the location of public health programs in DEHNR.	▪ DEHNR should study the feasibility of streamlining the regional organizational structure for public health programs.	▪ Could reduce the budget through a more efficient allocation of staff in the regional offices.	7.12
3. Regional office staffing structure may not be appropriate for the needs of local health departments.			7.12

MEDICAID

Medicaid Expenditures and Coverage

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. Although North Carolina has experienced significant increases in Medicaid program expenditures in recent years, most of this change can be attributed to federally mandated increases in the number of Medicaid eligibles.	▪ North Carolina should develop more creative strategies for controlling Medicaid expenditures and should only eliminate eligible groups and optional services, or impose restrictive service limits, as options of last resort.	▪ Controlling Medicaid expenditures may produce the desired outcome without adversely affecting recipients or providers.	1.13
2. In general, the Division of Medical Assistance has accurately projected the State Medicaid budget.	▪ The Medicaid budget projection methodology should be enhanced by building a consensus among agency and legislative staff.	▪ Improves the accuracy of budget projections. ▪ Enables agencies to make adjustments. ▪ Encourages agencies and legislative staff to work together.	1.16
3. North Carolina does not require a copayment by Medicaid recipients for inpatient hospital and other services, for which copayments may be applied.	▪ Impose copayments for inpatient hospital and other services for Medicaid recipients. * Refevved back to the subcommittee	▪ Reduces the cost to the State for inpatient hospital care and other services by $17.2 million.	1.17

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
4. While much of the growth in the North Carolina Medicaid Program can be attributed to the increase in eligibles mandated by federal law, reimbursement methodologies can be structured to more aggressively limit rates of increase in expenditures, as well as the overall level of expenditures.	▪ Program-specific recommendations are made in subsequent issue papers.	▪ Program-specific recommendations are made in subsequent issue papers.	1.18

MEDICAID

Medicaid Reimbursement of Inpatient Hospital Services

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. North Carolina Medicaid expenditures for inpatient hospital services are comparable to other states; however, average length of stay is among the highest in the country. 2. While North Carolina's reimbursement system exerts some cost control, other systems more effectively control costs and encourage appropriate utilization. 3. North Carolina's reimbursement system has controlled payments for capital-related costs and medical education costs.	▪ The Division of Medical Assistance should implement a DRG-based reimbursement system which uses peer groups to establish base payment amounts.	▪ Cumulative savings of $70.4 million would occur over a 10-year period. ▪ Reimbursement on the basis of discharge controls the average length of stay. ▪ Encourages appropriate utilization of hospital services. ▪ Provides incentives to operate efficiently.	2.21

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
4. North Carolina does not negotiate with providers to obtain better rates in areas of the State where competition among hospitals exists.	▪ The Division of Medical Assistance should implement selective contracting programs in geographically feasible regions of the State.	▪ Cumulative savings of $118.6 million would occur over a 10-year period. ▪ Encourages the utilization of low-cost facilities. ▪ Provides an incentive to operate efficiently, and compete on the basis of costs.	2.23
5. Overall costs per inpatient stay in North Carolina hospitals are high in comparison to other southeastern states.	▪ The General Assembly should develop a global budgeting approach to hospital reimbursement for all payors on a pilot basis in one area of the State.	▪ Develops a methodology that allows budget determination to be made for each facility that is related to the function of the facility. ▪ Limits the total level of reimbursement for services to a particular entity. ▪ Cost reductions are significant depending upon areas in which the pilot would be implemented.	2.23

MEDICAID

Medicaid Reimbursement of Outpatient Hospital Services

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. Cost-based reimbursement has been ineffective in controlling outpatient hospital expenditures. 2. North Carolina Medicaid outpatient hospital reimbursement policy does not provide comparable payment across providers for comparable care. 3. Reporting on hospital outpatient claims is insufficient to determine exactly what kinds of services are being provided.	▪ The Division of Medical Assistance should move away from a cost-based payment approach for outpatient hospital services to a bundled, prospective payment approach.	▪ Encourages hospitals to control costs and efficiently use resources. ▪ Avoids the problem of billing fragmentation. ▪ Cumulative savings over a 10-year period would be $12 million.	3.8

MEDICAID

Medicaid Reimbursement of Nursing Facility Services

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. The North Carolina reimbursement methodology provides more generous reimbursement for certain cost components in comparison to other states.	▪ The Division of Medical Assistance should implement a prospective, peer-grouped, case mix-based reimbursement methodology. ▪ The Division of Medical Assistance should eliminate return on equity payments. ▪ The Division of Medical Assistance should establish a cap on indirect care efficiency payments.	▪ The estimated savings for a 10-year period are approximately $112.6 million. ▪ Identifies facilities that can be expected to incur similar costs based on certain statistically valid variables such as geographic location, bed size, and occupancy levels. ▪ Promotes access to patients requiring higher levels of care. ▪ Medicaid expenditures would be reduced by $16.2 million over a 10-year period. ▪ Medicaid expenditures would be reduced by $31.4 million over a 10-year period.	4.12

GPAC *Pathways*

MEDICAID

Physician Services Provided Under Medicaid

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. North Carolina Medicaid expenditures for physicians services are above the national average. 2. Access to primary care for Medicaid patients is limited in certain areas of the State. 3. Carolina Access has produced significant savings across Medicaid program areas.	▪ The Division of Medical Assistance should implement Carolina Access on a statewide basis. ▪ The Division of Medical Assistance should expand use of managed care options.	▪ Cost savings for moving Carolina Access forward would net $23.2 million over the next 10 years. ▪ Physicians are given greater incentives to monitor and control utilization. ▪ Medicaid expenditures across several program areas (e.g., prescription drugs, inpatient and outpatient hospital) can be reduced.	5.10

MEDICAID

Medicaid Reimbursement for Prescription Drugs

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. North Carolina Medicaid expenditures per prescription are higher than in other states. 2. The North Carolina Medicaid dispensing fee is the highest in the country. 3. North Carolina Medicaid has implemented other cost containment strategies, including a six prescription limit per month and a copayment amount of $1.00 per prescription.	▪ The General Assembly should freeze the dispensing fee at the current amount. ▪ The Division of Medical Assistance should implement alternative purchasing approaches for prescription drugs.	▪ Initial cost savings for the first year of implementation would net $5.7 million. Cumulative savings to the prescription drug program would total $102.1 million over 10 years. ▪ Achieves cost savings without major disruption to community providers. ▪ Through the establishment of networks, Medicaid recipients may have greater access to other managed care interventions, such as on-line drug utilization review and patient- and drug-specific exclusions.	6.8

MEDICAID

Healthcare for the Developmentally Disabled and Mentally Retarded

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. Intermediate care facilities for the mentally retarded (ICFs/MR) continue to be developed in North Carolina, even though most states have decreased the number of individuals residing in ICFs/MR.	▪ The General Assembly should limit the growth in the number of intermediate care facilities for persons with mental retardation by implementing a moratorium on the development of new ICF/MR beds. ▪ Transition inappropriately placed ICF/MR residents to home and community-based services.	▪ The first-year savings are $2.4 million with a cumulative savings of $135.1 million over the next 10 years. ▪ Provides services in a more appropriate setting.	7.9
2. North Carolina rates for private ICFs/MR are ranked among the highest in the country.	▪ The Division of Medical Assistance should develop a prospective, case-mix methodology for ICF/MR reimbursement.	▪ The initial year's cost savings for the State would be $1.4 million with a cumulative savings of $19.5 over the next 10 years.	7.9

MEDICAID

Certificate of Need

FINDINGS	RECOMMENDATIONS	RESULTS	REPORT PAGE REF.
1. The Certificate of Need (CON) process has not been effective in controlling the development and expansion of hospital beds and purchase of high technology equipment in North Carolina. 2. North Carolina's current methodology for projecting need for additional long-term care facilities' beds can be improved. 3. North Carolina does not require a CON for major medical equipment purchases.	▪ The General Assembly should change the current bed need formula by expanding the size of current health planning areas to include larger geographic regions and including alternative (non-institutional) services. ▪ The General Assembly should implement a moratorium on developing ICF/MR beds. ▪ CON should continue for long-term care beds; reimbursement system changes should be used to promote savings. ▪ The General Assembly should decrease the capital threshold to $500,000 for projects requiring CON approval.	▪ Provides more accurate projection of bed need. ▪ Savings on the first-year moratorium would be approximately $2.4 million. Cumulative savings if the moratorium were extended for 10 years would be $113 million. ▪ Ensures appropriate placement and utilization of community-based services. ▪ A decrease in the capital threshold to $500,000 will put North Carolina more in line with other states' thresholds for major medical equipment.	8.12
4. Application fees collected by the Certificate of Need program do not cover the cost of this program.	▪ The CON program should be self-funded.	▪ If the CON program were self-funded, additional revenue from application fees would total $200,000.	8.15